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NOTES

WASHINGTON NOTES

THE FREIGHT RATE ADVANCES

THE SECRETARY OF THE TREASURY'S REPORT

WORK OF THE CONSERVATION COMMISSION

THE PRESIDENT-ELECT AND THE TARIFF

NEW PANAMA BONDS

WORK OF THE MONETARY COMMISSION

Large advances in freight rates, effective on and after January 1, 1909, have been filed with the Interstate Commerce Commission by a considerable number of railways engaged in transcontinental freight movements. More and more of the tariffs are being added, and it is expected that within a very short time the advance in rates will become practically universal. This will carry into effect the movement which was begun in the southern and southwestern rate advances made effective some three months ago. The action of the roads is the result of a long period of deliberation on freight rate conditions and would have been taken prior to the recent election had it not been for very strong representations made to the managers by political leaders who believed that a general advance in rates would be a disturbing factor in the electoral contest. The apparent prospect of more prosperous business conditions has also had considerable influence in encouraging the railways to persevere with their programme of rate increase.

As at present filed the new rate sheets make additions to the cost of transporting commodities from California terminal points to New York varying from 6 or 7 per cent. to more than 50 per cent. Most of the advances range from 15 to 20 per cent. Among the commodities covered are a large number of articles of strictly staple character such as hides, wool, machinery, drugs and chemicals, dry-goods, prepared and canned foods, and similar articles. These rates have been arranged with considerable care, the increases being heaviest in those lines where transportation is a comparatively small proportion of the price of the goods at retail. Dry-goods is one of the classes to which a high rate of advance (33 per cent. as a maximum) has been assigned. Similar rates of increase have also

been filed with the Commission to govern commodities passing from Chicago and points based on the Chicago rates to New York. A complete list of increases on all sorts of goods passing from New York and Chicago points back to the California terminals has also been filed. These rate increases (on commodities passing from east to west) are smaller than those applicable to goods shipped in the opposite direction, but are arranged upon substantially the same relative scale. The news of the higher rates has been received with extreme disfavor by shippers and preparations are being made for a vigorous campaign against any general advance in charges.

Secretary Cortelyou's report to Congress (Annual Report for the fiscal year ended June 30, 1908), is likely to take rank as one of the best documents of its kind that has been sent to Congress within recent years. Besides covering all of the routine matters usually dealt with in a report on the finances, Secretary Cortelyou makes recommendations of a radical character regarding several new issues. (1) A new method of stating the receipts and disbursements of the Treasury is recommended for administration study, and the question of introducing a budgetary system in fiscal legislation is urged upon the notice of Congress. It is pointed out with great force that the present form of Treasury statement is misleading because it makes no separation between expenditures for the ordinary service of the government and those for permanent public works which are analogous to "capital expenditures." In regard to the budget Mr. Cortelyou shows the lack of control over estimates on the part of the Executive under the present system and the lack of control over appropriations on the part of the legislative branch of the government, owing to the distribution of the power of originating money bills among several different committees in the House of Representatives. (2) The present wasteful system of federal expenditure is conservatively but forcibly denounced and it is stated that large savings could be made in annual outlay without impairing in any way the efficiency of the government. As illustrative of this point the Secretary outlines a system for reducing the unnecessary expenditures on public buildings. In the same connection he estimates a deficit for the current fiscal year of \$114,000,000 and calls attention to the fact that some new source of taxation in addition to the tariff and internal revenue receipts may have to be found. (4) A radical reorganization of the customs administrative

service is suggested apropos of the desirability of a "customs court" charged with the duty of ultimately deciding all customs cases appealed from the Board of General Appraisers. (5) A mode of doing away with unnecessary movements of gold by the issue of an international gold certificate is suggested with a recommendation that the Secretary of the Treasury be authorized to take steps toward ascertaining what can be done in that direction.

Reports prepared by the National Conservation Commission during the past summer, with the aid of a large force of experts and investigators, have been put into form at a meeting of the Commission held at Washington, December 1-5, and later presented to the so-called "National Conservation Conference" at a meeting December 8-11. These reports give the first inclusive summary of inventory of natural resources that has ever been prepared for the United States. While it is probably true that much of the work done has been necessarily hasty or has lacked the requisite scientific basis, it is also true that the statements are probably as near the truth as any that could be made on this subject. The reports of the Commission, as presented to and approved by the conference, are four in number—dealing with forests, lands, mines and minerals, and waters. It is shown that in each of these departments of natural resource great waste is now the order of the day, and partial or total exhaustion, with no possibility of renewal, is imminent. Forest resources have rapidly diminished within the past decade, raising the price of lumber to a corresponding extent, cutting of timber and other influences have led to a great waste of waters with frequent floods and resulting damage to agriculture, wasteful methods of mining and utilizing coal and minerals are estimated to throw away in some cases one-third of the total output, faulty methods of construction combined with ignorance of the structural qualities of materials cause large waste of resources in building while enormous fire losses are incurred through unwise selection of building materials, and in some parts of the country the fertility of agricultural land is annually diminishing. The reduction in fertility is, however, found to be one of the least dangers, probably affecting only about 10 per cent. of the lands of the country. Output per acre is, nevertheless, estimated to be only about one-half of what it ought, economically speaking, to be, or what it must be if the growth of our population, with its present standard of living, is to continue. The Commission recommends

careful control of the national domain, the introduction of a systematic policy of waterway improvement, irrigation, conservation of waters, the mandatory introduction of the use of fireproof types of building, the adoption of more economical methods of logging, lumbering, mining, and transporting, and makes numerous other suggestions, most of which have been accepted by the Conservation Conference as a part of its policy. Concretely the result of the conference has been the appointment of a permanent commission consisting of nine men to devise ways and means.

The adoption by President-elect Taft of a positive attitude with respect to tariff revision and the attempt to make this attitude influential with the lower House of Congress in the framing of the new tariff bill constitutes a distinct step forward in developing the new revenue legislation. Mr. Taft's position has been assumed largely as the result of dissatisfaction evident throughout the country with the methods employed by the Ways and Means Committee in preparing for the coming measure. One factor leading Mr. Taft to his action on the tariff is the somewhat reactionary point of view adopted by Speaker Cannon as to this same topic. On December 8 and 9, Mr. Taft visited Washington and had formal interviews both with the Speaker and the Republican members of the Ways and Means Committee who now practically constitute a subcommittee vested with the duty of revising the tariff. At that meeting the President-elect explained his views to the Congressmen and stated plainly his intention of vetoing any tariff measure in his judgment not satisfactory or in harmony with the pledges of the Republican party. A formal statement made public by Mr. Taft subsequent to the conferences is apparently an indorsement of the action thus far taken by the House leaders, but is intended practically as notice to the country of a compact between the new executive and the managers of revenue legislation assuring that the new measure shall be "honest" and "thorough."

Substantial success has attended Secretary Cortelyou's Panama bond issue, notwithstanding somewhat unsatisfactory financial conditions. The \$30,000,000 offered were found, on December 5 when bids were opened, to have been oversubscribed more than three times, \$102,800,000 being offered. The Secretary has been able to place his bonds at an average price of 102.4568. About three-fourths of the issue go to three large institutions. Less than one-

fourth is divided among a large number of private individuals and the smaller banks, some of the individual bids being only for a \$20 bond. On the whole the distribution is more satisfactory than that of any similar issue for a long time past and has had the additional merit of involving the Treasury in no obligations of any kind, nothing having been promised in the way of deposits or other concessions to takers of the bonds. The effect of this operation on the market is to withdraw substantially more than \$30,000,000 in cash, but this is largely offset by the rapid development of the deficit which at the middle of December aggregated \$60,000,000 for the fiscal year to that time, about \$5,000,000 shortage having been incurred between December 1 and December 15. Fiscal conditions are such that large withdrawals of public funds from banks will undoubtedly be necessary in the near future, the bond issue merely serving to postpone these operations for a comparatively short time.

At important sessions held during the latter part of November and the early part of December, in Washington, the United States Monetary Commission has practically developed its policy for the coming session of Congress. No recommendations for legislation are expected and no report of an inclusive kind is looked for. It is, however, anticipated that the Commission will from time to time publish a series of special reports dissenting banking conditions and practices in foreign countries. Upon these it now has a corps of European experts at work. The only exception to the programme of legislative inactivity is the preparation of a bill somewhat strengthening the administrative power of the Comptroller of the Currency. This bill is to be drafted by the Comptroller on the basis of recommendations which he has already supplied to the Commission. At the recent meetings the Commission carefully cross-examined officials of the Comptroller's office and also consulted in detail with a representative committee of the American Bankers' Association which was called in to ascertain the views of the banking public with reference to the Comptroller's proposal. Little opposition was offered by the bankers (contrary to general expectation) to the demand for greater administrative power, to be vested in the Comptroller. As a preliminary to the passage of such legislation, the Comptroller has completely re-organized the bank examiners of the country in "examination districts," and at a recent meeting in Washington has prescribed the procedure to be followed at regular meetings of the examiners in these districts.